



School Business Alert

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Negative Fund Balances, Special Education Expenditures, and Special Audits

Maintaining a quality program with limited resources is certainly a challenge for all of us. Costs continue to rise, many times exceeding available new revenue. Coupled with flat student enrollment, this usually leads to conversations about how to meet student needs within available resource restrictions. One of the functions of the Iowa Department of Education (Department) is to monitor spending by local districts to ensure spending conforms with legal limitations like maximum budget authority and permissive uses of categorical funds.

The early warning system used by the Department to project fund balances based on spending patterns, has served to give school districts advanced notice about the potential for negative fund balances in the future. The Department has taken steps in recent years to clarify the law on uses of specific funds in an attempt to ensure that any spending is done properly. When districts actually go negative (which is still rare), steps are taken by both the School Budget Review Committee (SBRC) and the Department to get the district back in the black.

At the Iowa School Business Management Spring Academy (ISBMA), the Department will be hosting break-out sessions specifically on lessons learned by the Department through work with districts in negative positions. Two major factors that contribute to the situation when a district is negative include not adjusting staffing levels quickly enough once revenues decline and not maximizing categorical funding prior to spending general funds. We will discuss this in much more detail at ISBMA.

Recently, two districts in the state received special audits initiated by community petition related to spending of special education funds, among other issues. In both cases, the districts were in a negative position on special education fund balances (NOT unusual for many districts) and district patrons believed that some of the expenditures being called special education were in fact, not. The objection in each community stemmed, in part, from increases to property tax levies in both districts to cover the negative balances. Patrons are watching. The community deserves consideration, with the conversation about school spending occurring in full sunlight. State auditors seem inclined to investigate claims of improper spending by school districts. This means more pressure than ever to do the right thing, right at a time when it is increasingly hard to make ends meet.

This can serve as a reminder to all of us to ensure we understand the law and rules related to each fund we manage and to work in a way that supports the law and Iowa's ethics standards for educators. For further discussion, contact [Jeff Berger](mailto:jeff.berger@iowa.gov) or 515.281.3968.

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Click to access the
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Francis Lauer Youth Services (FLYS) Placements when Students are Living in the Shelter Facility

It has come to the attention of the Department that three students who were court ordered to shelter care, were also court ordered to attend the FLYS educational program **instead of** the educational program provided by the Area Education Agency (AEA) in the shelter.

Iowa Code section 282.30 and section 282.31 provide the statutory authority and responsibility for providing educational services to students who are placed in licensed shelter care facilities per Iowa Code section 232.2 (34).

When a student is placed in a shelter care/detention facility, the AEA is responsible for providing appropriate educational services. These services can be provided in a variety of ways; refer to Code citation below.

Iowa Code section 282.30 Special programs.

1. a. An area education agency shall provide or make provision for an appropriate educational program for each child living in the following types of facilities located within its boundaries:
 - (1) An approved or licensed shelter care home, as defined in [section 232.2, subsection 34](#).
 - (2) An approved juvenile detention home, as defined in [section 232.2, subsection 32](#).
- b. The area education agency shall provide the educational program by any one of, but not limited to, the following:
 - (1) Providing for the enrollment of the child in the district of residence of the child, subject to the approval of the district in which the child is living.
 - (2) Cooperating with the district of residence of the child and obtaining the course of study and textbooks of the child for use in the special facility into which the child has been placed.
 - (3) Providing for the enrollment of the child in the district in which the child is living, subject to the approval of the district in which the child is living.
- c. An area education agency shall not provide educational services to a facility specified in paragraph “a” unless the facility makes a request for educational services to the area education agency by either of the following dates:
 - (1) December 1 of the school year prior to the beginning of the school year for which the services are being requested.
 - (2) Ninety days prior to the beginning of the time for which the services are being requested if the facility is a newly established facility.
2. The area education agency where the child is living, the school district of residence, the other appropriate area education agency or agencies, and other appropriate agencies involved with the care or placement of the child shall cooperate with the school district where the child is living in sharing educational information, textbooks, curriculum, assignments, and materials in order to plan and to provide for the appropriate education of the child living in such facility specified in [subsection 1](#).

87 Acts, ch 233, §483; 2000 Acts, ch 1121, §1, 2

Referred to in [§256.7](#), [§282.31](#)

As stated above, students who are placed in a shelter facility are to be provided an appropriate education and the AEA will determine the method of delivery for this program. Since emergency shelter care services fall under the umbrella of Foster Care, the AEA must also take into consideration requirements of Fostering Connections (2008). Fostering Connections would require 1) the current school placement to be the **default setting** (wherever student was enrolled prior to placement in foster care), and 2) a team decision, **including education**, for determining the most appropriate living arrangement and school setting in the “best interest” of the child. The AEA should confer with other public and private agencies to gain information and must also consider risks associated with safety, contraband, and elopement, when making a decision for appropriate education.

As soon as the intake has been completed, the shelter care staff OR the Juvenile Court System (JCS)/Department of Human Services (DHS) referral agency should provide all relevant information for providing an appropriate education, to the AEA staff located at the shelter. It is likely there is already an interagency agreement for sharing information. If it is determined that a student shall be served in the educational program where the student was last served/attending, the AEA shall make those arrangements (option 1.b.(1), shown above). If a team approach is already used for discussing this information, that is fine. If not, we recommend that those conversations be set up on a regular basis and that roles and responsibilities are defined by all participating organizations.

If the AEA determines to provide the educational program in any other setting than the shelter classroom, the following protocols are expected by Code, rule, and the Department. When a student has an Individualized Education Program (IEP) and Free Appropriate Public Education (FAPE) is made available in the AEA shelter classroom, the IEP team must be involved if a different setting/location/Least Restrictive Environment (LRE) is being considered. The LEA and the AEA are well versed in requirements for FAPE, LRE, procedural due process, other requirements under the Individuals with Disabilities Education Act (IDEA).

Methods for providing AEA services to students who are residing in shelter care:

1) Providing for the enrollment of the child in the district of residence of the child, subject to the approval of the district in which the child is living.

This arrangement would require the AEA to make arrangements for the student to attend the resident district (keeping requirements of time being transported, in mind). The resident district is then responsible for assigning the student to the appropriate educational program. Essentially, no billing occurs in this arrangement, the student is transported to the educational setting where s/he was attending prior to placement. Typically, this happens in metro areas when districts are close enough to where this facility is located, or youth continue in the school building they were already attending, in this case Mason City Community School District (CSD).

***Could this be the FLYS Day Program?**

Maybe, if that is what the resident district has determined to be the most appropriate program for their student and assigns the student there. Depending on the arrangement between the two districts, a contract (for required services to be provided) and/or an interagency agreement (defining roles and responsibilities of all involved agencies) would need to exist.

2) Cooperating with the district of residence of the child and obtaining the course of study and textbooks of the child for use in the special facility into which the child has been placed.

This arrangement would require the AEA to make arrangements with the resident district to actually provide the materials to be used or approve curricular materials being used by the AEA educational program located at the shelter.

***Could this be the FLYS Day Program?**

No, this educational program is delivered in the shelter classroom(s) operated by the AEA.

3) Providing for the enrollment of the child in the district in which the child is living, subject to the approval of the district in which the child is living.

This arrangement would require the AEA to make arrangements with the district where the facility is located, in this case Mason City Community School District (CSD). The arrangements for a non-resident student to attend in that district would require a contract and payment from the AEA to the local school district (where the facility is located) to actually provide the educational program for the student.

***Could this be the FLYS Day Program?**

Maybe. It depends on the Mason City CSD determining the most appropriate educational program and location for this student and that could be FLYS. That decision rests with Mason City CSD/an IEP team. The AEA would provide for arrangements and completing the enrollment process with the local district, the local district assigns the student to the appropriate program to serve that student's needs.

In addition to the responsibility of providing this educational program, the AEA is also funded by the state to provide this education to students at that facility.

Iowa Code section 282.31 Funding for special programs.

1. a. A child who lives in a facility pursuant to [section 282.30, subsection 1](#), paragraph "a", and who is not enrolled in the educational program of the district of residence of the child, shall receive appropriate educational services...The department of administrative services shall pay the approved budget amount for an area education agency in monthly installments beginning September 15 and ending June 15 of the next succeeding school year. The installments shall be as nearly equal as possible as determined by the department of management, taking into consideration the relative budget and cash position of the state's resources. The department of administrative services shall transfer the approved budget amount for an area education agency from the moneys appropriated under [section 257.16](#) and make the payment to the area education agency...

4. For purposes of [this section](#), “*district of residence*” means the school district in which the parent or legal guardian of the child resides or the district in which the district court is located if the district court is the guardian of the child.
5. Programs may be provided during the summer and funded under [this section](#) if the school district or area education agency determines a valid educational reason to do so.

[87 Acts, ch 233, §484](#); [88 Acts, ch 1284, §48](#); [90 Acts, ch 1272, §72](#); [92 Acts, ch 1163, §66](#);
[95 Acts, ch 214, §6, 7](#); [2003 Acts, ch 145, §286](#); [2006 Acts, ch 1152, §44](#); [2007 Acts, ch 22, §66](#);
[2009 Acts, ch 120, §9, 10](#)

Referred to in [§256.7](#), [§282.19](#), [§282.27](#), [§282.29](#), [§282.32](#)

The AEA has a burden of responsibility to provide an appropriate educational program to these students per Iowa Code. The Department is concerned with the provision and delivery of this appropriate educational program, to the extent that the AEA is following all legal requirements to ensure an appropriate educational program is being provided. The method in which this is delivered/provided by the AEA is not a Department decision because there are multiple avenues to achieve the same results. However, the decision, most specifically any educational decision making, would be under the supervision of the AEA, in this case Rod Ball, AEA 267 Administrator of Shelter and Detention Educational Programs.

When the court order was created for these youth to attend the FLYS program, it circumvented the current protocols for student reporting (for accountability purposes) and educational responsibility, and essentially eliminated the funding mechanism provided in Code. This puts the district/AEA in a position to seek payment for tuition from the entity that ordered the students in to that specific program, Juvenile Court Services, something we believe was not the intent. However, now we have a situation needing to be resolved in the areas of paying for and counting these youth.

Educational programming provided for students placed in the shelter needs to follow current federal and state law/rules already in place for this type of facility. If the current practice does not follow a similar sequence, as provided below, the practices should stop immediately. When students are placed in a shelter care facility by DHS, JCS or a parent:

- 1) Educational decisions are determined by the AEA staff, shelter care programming decisions are made by the shelter facility, and court-ordered services, while in shelter care, are determined by Juvenile Court.
 - a) Decisions impacting all agencies should be discussed by the agencies involved; thus, creating team decision making, if it isn't already occurring. If there is not a team meeting, the AEA staff need to be provided all relevant information in order to make a decision for providing an appropriate education. In this case, if a student was being served by the Mason City CSD in the FLYS program prior to placement in the shelter, the team should come together (AEA, Mason City, resident district, if that is the case, juvenile court services) to discuss the options for continuing in that program while the student lives in the shelter.
- 2) If DHS, JCS, or shelter facility administration do not feel an appropriate educational program is being provided by the AEA, then a meeting should be scheduled with the AEA administrative team to discuss what is occurring. Problem solving should occur to resolve these issues.
- 3) If a court order is presented in this manner in the future, the Department will expect DHS/JCS/State Court Administration to be responsible for tuition for any students court ordered to a specific school setting other than the institution legally responsible for such education.

Please contact [Susan Walkup](#) or 515.281.5718 if further clarification is necessary or there are additional questions.

USDA Foods: End of Year Inventory Values

Participants in the National School Lunch Program (NSLP) are allotted a value of USDA foods that they can receive every school year. Previously, this allotment was referred to as Entitlement. Starting school year 15-16, this allotment is called a Planned Assistance Level (PAL). PAL is determined by multiplying the federal meal rate by the previous school year's reimbursable lunches served. The effective federal meal rate this year is \$.3125 per meal.

Along with this change, PAL funds will now be charged as close to the actual purchase price of the item as possible. This means that the value of some items will change as the school year progresses. The prices are posted on the [DE USDA Foods website](#). This means staff will need to know when an item was received to be able to calculate their end of year inventory values.

For questions contact [Sarah White](#) or 515.281.4032.

Healthier US School Challenge Incentive Awards

The Healthier US School Challenge (HUSSC) is a voluntary certification initiative established to recognize those schools participating in the NSLP that have created healthier school environments through promotion of nutrition and physical activity. Several Iowa districts have received incentive awards from the U.S. Department of Agriculture (USDA). Congratulations! We recently learned that this program was separated from team nutrition grants and has its own CFDA effective FY16. Use source/project 4304, Healthier US School Challenge: Smarter Lunchrooms (HUSSC) (USDA) (CFDA 10.543) for these incentives. These must be receipted in the School Nutrition Fund and used for allowable expenses in that fund.

If you have further questions, please contact [Janice Evans](#) or 515.281.4740.

FY16 Chart of Accounts (COA) Testing

Department staff are currently preparing the "CAR-2016 COA Test Records" application for use by districts. We hope to open stages 1 and 2 of this application late this month to all districts for testing. The home page will be used for updates regarding the application and the status of stage edits. When complete, this site will mirror the "CAR-2016 Upload and Reports," which will become available in mid-August for final CAR reporting. Once "CAR-2016 COA Test Records" open, we recommend testing the district's Chart of Accounts to correct edits found in Stages 1 and 2.

The home page of the application will include messages related to the COA, including a list of tables that haven't been updated for 2016 since the information is not available. If the only Stage 1 edit is a negative amount on the balance sheet, the COA and CAR in FY16 will again allow progression through Stage 2. Negative amounts in revenue and expenditure accounts must be eliminated prior to proceeding to Stage 2. We will include additional guidance in the next School Business Alert about edit and warning changes.

Contact [Janice Evans](#), 515.281.4740 or [Denise Ragias](#) 515.281.4741 with any questions pertaining to the edits, edit messages, or upload process.

School Budget Review Committee (SBRC) Action Summary

The SBRC met in regular session on March 15. At that hearing, the SBRC granted permission for special education administrative costs, approved modified supplemental amount (MSA) for at-risk, alternative school and returning dropout and dropout prevention programs, acted on MSA with resubmitted corrective action plans for negative unspent balances, interfund transfers related to a dissolution, hazardous materials abatement and mitigation requests, and requests for initial staffing and furnishing and equipping new classrooms related to opening a new school building. [The summary of official action](#) is posted on the web.

For further information, contact [Su McCurdy](#) or 515.281.4738.

District Reorganizations

With any school district mergers effective July 1, 2016, the Department needs to confirm that the state's accounting system is up-to-date. We request that those districts complete a new Form W-9 for the merged school district and fax it to 515.242.5988. In addition, districts may want to update the EFT Authorization Form to reflect any new bank accounts. For more information, contact [Michael Lammers](#) or 515.281.3589.

Medicaid

2016-2017 Webinar Dates

Review and updates regarding Medicaid will be provided via a Zoom Webinar. Registration is needed to attend. Please send an email to [Jim Donoghue](#) with the selected date(s) and time(s) if you or one of your staff wish to attend a training. Dates are provided below:

Friday, August 19—9:00 to 10:00 a.m. or 2:00 to 3:00 p.m.
Monday, August 22—10:00 to 11:00 a.m. or 3:00 to 4:00 p.m.
Tuesday, August 23—11:00 a.m. to 12:00 p.m. or 3:30 to 4:30 p.m.
Wednesday, August 24—11:30 a.m. to 12:30 p.m. or 2:30 to 3:30 p.m.
Friday, August 26—8:30 to 9:30 a.m. or 12:30 to 1:30 p.m.
Monday, August 29—3:30 to 4:30 p.m.
Tuesday, August 30—3:00 to 4:00 p.m.

September dates will be announced in August.

Re-Enrollment

All Iowa Medicaid providers will go through re-enrollment starting in 2016. The re-enrollment cycle was going to be in two more years; however, because of the Affordable Care Act, all Medicaid providers must be re-enrolled in 2016. This is to ensure all providers have been screened according to the risk level. Enrollment renewal is expected to be completed electronically on the Iowa Medicaid Portal Access (IMPA) system. LEAs and AEAs are limited risk provider types so only online application and paperwork will be required. Iowa Medicaid will send out notification when to start re-enrollment. Information letters are expected after June 1.

Change in Retained Federal Share

On October 1, 2016, Iowa's Federal share (what you retain) increases from 54.91 percent to 56.74 percent (or \$1.83 per \$100).

For further information, contact [Jim Donoghue](#) or 515.281.8505.

Upcoming Deadlines	
Board resolutions for the budget guarantee due to the Department of Management (DOM)	4-15-16
Bond Resolution Filing (if any) with Control County Auditor	5-1-16
VPPEL Ballot Due to DOM	5-1-16
Second Semester Parental Claim Forms for Nonpublic Transportation Reimbursement Due	5-1-16
AEA Budget Proposal—Resubmit Unapproved Budget	5-15-16